

Message Text

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72

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02

OMB-01 SWF-02 EA-11 NEA-10 OPIC-12 SIL-01 DRC-01 /228 W
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R 031722Z MAY 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0062

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, IT, UK

SUBJECT: UK REACTION TO THE ITALIAN IMPORT MEASURES

SUMMARY IN PUBLIC STATEMENTS, BRITISH MINISTERS HAVE
EXPRESSED REGRET OVER THE ITALIAN IMPORT MEASURES.
OFFICIALS AT THE DEPARTMENT OF TRADE AND FCO ARE
RELAXED ABOUT THE EFFECTS OF THE ITALIAN MOVES ON THE
EC, ALTHOUGH THEY BELIEVE THAT THEY DRAMATIZE THE NEED
TO WORK OUT WAYS TO LIMIT THE USE OF RESTRICTIVE
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TRADE MEASURES TO DEAL WITH BALANCE OF PAYMENTS
PROBLEMS. END SUMMARY

1. ACCORDING TO PRESS REPORTS, CHANCELLOR OF THE EXCHEQUER HEALEY TOLD THE HOUSE OF COMMONS ON MAY 2 THAT HE REGRETTED THE ITALIAN IMPORT MEASURES' HE SAID THAT THE HOUSE SHOULD NOTE, HOWEVER, "THAT IT IS POSSIBLE IN THE COMMON MARKET FOR A GOVERNMENT TO TAKE SUCH ACTION AND REMAIN A MEMBER OF THE COMMON MARKET."

2. THE PRESS HAS ALSO REPORTED THAT MINISTER OF TRADE PETER SHORE TOLD THE INSTITUTE OF EXPORT IN LONDON ON MAY 2 THAT IMPORT RESTRICTIONS LIKE THE ONES IMPOSED BY ITALY WOULD NOT BE THE RIGHT WAY FOR THE UK TO DEAL WITH ITS TRADE DEFICIT' THE WORLD TRADING COMMUNITY IS UNLIKELY TO BE PANICKED BY OIL DEFICITS INTO ABANDONING LIBERAL TRADE POLICIES, HE SAID. THE US AND OTHER COUNTRIES "ARE GOING TO PUT THEIR FULL WEIGHT BEHIND INTERNATIONAL EFFORTS TO DEVELOP AND LIBERALIZE WORLD TRADE. WE SHALL JOIN THEM IN THIS MOST IMPORTANT TASK."

3. OFFICIALS AT THE DEPARTMENT OF TRADE AND THE FCO HAVE TOLD US THAT THEY ARE NOT ALARMED BY THE EFFECTS OF THE ITALIAN MEASURES ON THE EC. AN FCO OFFICIAL TOLD US THAT THIS DEMONSTRATION THAT EXCEPTIONS CAN BE MADE TO COMMUNITY RULES COULD, IN FACT, BE HELPFUL TO THE LABOUR GOVERNMENT IN EC RENEGOTIATION. AN OFFICIAL AT THE DEPARTMENT OF TRADE SAID THAT THE ITALIAN MEASURES SHOULD GIVE AN ADDED IMPETUS TO DISCUSSIONS IN THE GATT AND OECD ON WAYS TO KEEP COUNTRIES FROM USING RESTRICTIVE TRADE MEASURES TO DEAL WITH BALANCE OF PAYMENTS PROBLEMS. (HE ACKNOWLEDGED THAT THE UK WAS DRAGGING ITS FEET ON THE OECD CURRENT ACCOUNT STANDSTILL, BUT EXPRESSED THE HOPE THAT THE "SPECIAL PROBLEMS" INVOLVED WOULD BE OVERCOME IN TIME FOR THE OECD MINISTERIAL. IT IS CLEAR FROM OUR CONVERSATIONS WITH UK OFFICIALS THAT THESE "SPECIAL PROBLEMS" RELATE MORE TO DOMESTIC POLITICS THAN TO TRADE POLICY. THEY ARISE MAINLY FROM THE FEAR IN CERTAIN PARTS OF THE LABOUR GOVERNMENT OF ANY STEPS THAT WOULD RESTRICT THE UK'S FREEDOM TO LIMITED OFFICIAL USE

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MAKE ECONOMIC POLICY.)

4. OFFICIALS AT BOTH THE FCO AND DEPARTMENT OF TRADE WERE EMPHATIC IN ASSURING US THAT THE UK HAS NO INTENTION OF FOLLOWING THE ITALIAN EXAMPLE.

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